

TOWNSHIP OF MOLTKE
PRESQUE ISLE COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>Moltke</i>	County <i>Presque Isle</i>
Audit Date <i>3/31/05</i>	Opinion Date <i>5/16/05</i>	Date Accountant Report Submitted to State: <i>6/9/05</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as required by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<i>J</i>		
Reports on individual federal financial assistance programs (program audits).			<i>J</i>
Single Audit Reports (ASLGR).			<i>J</i>

Certified Public Accountant (Firm Name) <i>Barry E. Gauderick, CPA, PC</i>			
Street Address <i>1107 E. Elgin Street</i>	City <i>Marquette City</i>	State <i>MI</i>	ZIP <i>49806</i>
Accountant Signature <i>Barry E. Gauderick, CPA</i>			

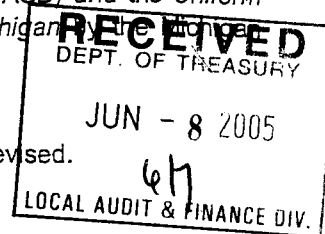


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INTRODUCTORY SECTION

Township of Moltke
Organization
March 31, 2005

Township Officials

Neil G. Sorgenfrei

Supervisor

Caroline D. LaLonde

Clerk

Janis R. Little

Treasurer

Marlowe Paul

Trustee

Gary Klein

Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Moltke
Presque Isle County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Moltke as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Township of Moltke
Independent Auditors' Report
Page Two

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Moltke, Presque Isle County, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV(D), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of March 31, 2005.

Bary E. Landolt, CPA, PC

May 16, 2005

BASIC FINANCIAL STATEMENTS

Township of Moltke
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 72,197
Taxes receivable	2,101
Capital assets (net of accumulated depreciation):	
Land	9,400
Buildings and improvements	25,846
Equipment	<u>8,239</u>
Total assets	<u>117,783</u>
 LIABILITIES	
Noncurrent liabilities:	
Due within one year	1,962
Due in more than one year	<u>7,847</u>
Total liabilities	<u>9,809</u>
 NET ASSETS	
Unrestricted	<u>107,974</u>
Total net assets	<u>\$ 107,974</u>

See notes to financial statements.

Township of Moltke
Statement of Activities
For The Year Ended March 31, 2005

Programs	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Legislative:				
Township board	\$ 5,263	\$	\$	\$
General Government:				
Supervisor	5,269			
Elections	1,214			
Clerk	4,459			
Assessor	2,820			
Board of review	1,126			
Treasurer	4,404			
Cemetery	280			
Hall	9,863	1,058		
Public Safety:				
Fire	2,539			
Other:				
Depreciation	5,619			
Pension	2,262			
Payroll taxes	<u>275</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$ 45,393</u>	<u>\$ 1,058</u>	<u>\$</u>	<u>\$</u>

General revenues:
Property taxes
Swamp taxes
State aid
Interest earnings

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental
Activities

\$ (5,263)

(5,269)

(1,214)

(4,459)

(2,820)

(1,126)

(4,404)

(280)

(8,805)

(2,539)

(5,619)

(2,262)

(275)

(44,335)

21,230

2,384

24,928

637

49,179

4,844

103,130

\$ 107,974

Township of Moltke
Balance Sheet
Governmental Funds
March 31, 2005

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 72,197	\$	\$ 72,197
Taxes receivable	<u>2,101</u>	<u> </u>	<u>2,101</u>
Total assets	<u>\$ 74,298</u>	<u>\$</u>	<u>\$ 74,298</u>
 FUND BALANCE			
Fund balance:			
Unreserved:			
General fund	\$ 74,298	\$	\$ 74,298
Total fund balance	<u>74,298</u>	<u> </u>	<u>74,298</u>
Total Fund Balance	<u>\$ 74,298</u>	<u>\$</u>	<u>\$ 74,298</u>

See notes to financial statements.

Township of Moltke
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2005

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 74,298
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	155,751
Accumulated depreciation	(112,266)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,809)</u>
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Total Net Assets - Governmental Activities	<u>\$ 107,974</u>
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See notes to financial statements.

Township of Moltke
Statement of Revenues, Expenditures and Changes
In Fund Balance
Governmental Funds
For The Year Ended March 31, 2005

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 21,230	\$	\$ 21,230
State aid	24,928		24,928
Swamp taxes	2,384		2,384
Rents	875		875
Interest earnings	637		637
Refunds and rebates	<u>183</u>	<u> </u>	<u>183</u>
Total revenues	<u>50,237</u>	<u> </u>	<u>50,237</u>
EXPENDITURES			
Current:			
Legislative	5,263		5,263
General government	29,435		29,435
Public safety	2,539		2,539
Other	2,537		2,537
Debt service:			
Principal	<u> </u>	<u>1,962</u>	<u>1,962</u>
Total expenditures	<u>39,774</u>	<u>1,962</u>	<u>41,736</u>
Excess (deficiency) of revenues over (under) expenditures	10,463	(1,962)	8,501
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(1,962)</u>	<u>1,962</u>	<u> </u>
Net change in fund balance	8,501		8,501
Fund balance-beginning of year	<u>65,797</u>	<u> </u>	<u>65,797</u>
Fund balance-end of year	<u>\$ 74,298</u>	<u>\$</u>	<u>\$ 74,298</u>

See notes to financial statements.

Township of Moltke
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For The Year Ended March 31, 2005

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balance - governmental funds	\$ 8,501
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded (did not exceed) depreciation in the current period.	(5,619)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>1,962</u>
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Change in net assets of governmental activities	<u>\$ 4,844</u>
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See notes to financial statements.

Township of Moltke
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Property taxes	\$ 20,200	\$ 20,200	\$ 21,230	\$ 1,030
State aid	24,500	24,500	24,928	428
Swamp taxes	2,384	2,384	2,384	
Rents	1,300	1,300	875	(425)
Interest	390	390	637	247
Refunds and rebates	210	210	183	(27)
Total revenues	<u>48,984</u>	<u>48,984</u>	<u>50,237</u>	<u>1,253</u>
EXPENDITURES				
Current:				
Legislative:				
Trustee wages	2,500	2,500	1,740	760
Township board expenses	3,320	4,088	3,523	565
General government:				
Supervisor	5,800	5,820	5,269	551
Elections	2,100	2,100	1,214	886
Clerk	4,840	4,840	4,459	381
Assessor	2,820	2,820	2,820	
Board of review	1,200	1,200	1,126	74
Treasurer	4,630	4,630	4,404	226
Cemetery	1,000	1,000	280	720
Township hall	14,397	14,397	7,863	6,534
Public safety:				
First responders	600	600		600
Fire	2,200	2,550	2,539	11
Public works:				
Roads	5,000	5,000		5,000
Snow removal	2,000	2,000	2,000	
Other:				
Pension	2,600	2,600	2,262	338
Payroll taxes	280	280	275	5
Total expenditures	<u>55,287</u>	<u>56,425</u>	<u>39,774</u>	<u>16,651</u>

Township of Moltke
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual
For the Year Ended March 31, 2005
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u> <u>Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Excess (deficiency) of revenues over (under) expenditures	(6,303)	(7,441)	10,463	17,904
OTHER FINANCING				
SOURCES (USES)				
Transfers in (out)	<u>(1,962)</u>	<u>(1,962)</u>	<u>(1,962)</u>	<u> </u>
Net change in fund balance	(8,265)	(9,403)	8,501	17,904
Fund balance - beginning	<u>65,797</u>	<u>65,797</u>	<u>65,797</u>	<u> </u>
Fund balance - ending	<u>\$ 57,532</u>	<u>\$ 56,394</u>	<u>\$ 74,298</u>	<u>\$ 17,904</u>

See notes to financial statements.

Township of Moltke
Statement of Fiduciary Net Assets
Fiduciary Fund
March 31, 2005

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>10</u>
Total Assets	<u>10</u>
 LIABILITIES	
Due to other funds	<u> </u>
 NET ASSETS	
Held in trust for other purposes	<u><u>\$ 10</u></u>

See notes to financial statements.

Township of Moltke
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended March 31, 2005

	<u>Tax Collection Fund</u>
ADDITIONS	
Property tax collections and fees	\$ 492,485
Total additions	<u>492,485</u>
DEDUCTIONS	
Transfer to General Fund	22,916
Payments to other governmental units	<u>469,560</u>
Total deductions	<u>492,476</u>
Changes in net assets	9
Net assets - beginning	<u>1</u>
Net assets - ending	<u>\$ 10</u>

See notes to financial statements.

Township of Moltke
Notes to the Financial Statements
March 31, 2005

I: Summary of significant accounting policies

The financial statements of the Township of Moltke (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns

Township of Moltke
Notes to the Financial Statements
March 31, 2005

I: Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements (continued)

in the financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Presque Isle County, which advances the Township 100% for the delinquent taxes.

Township of Moltke
Notes to the Financial Statements
March 31, 2005

I: Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation (continued)

The 2004 taxable valuation of the Township totaled \$9,400,471, on which ad valorem taxes levied consisted of .9921 mills for Township operating purposes and another millage of .9921 mills for ambulance and fire purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees to collect the taxes and applicable interest.

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Township of Moltke
Notes to the Financial Statements
March 31, 2005

I: Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township Board has designated one bank for the deposit of Township funds.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements. The Township does not have any of these receivables and payables.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Township of Moltke
Notes to the Financial Statements
March 31, 2005

I: Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets (continued)

4. Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Equipment	5

6. Compensated absences

The Township does not have a compensated absence policy.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Township of Moltke
Notes to the Financial Statements
March 31, 2005

I: Summary of significant accounting policies (continued)

D. Assets, liabilities and net assets (continued)

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

9. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$221 difference are as follows:

Capital outlay	\$ -0-
Depreciation expense	<u>(5,619)</u>

Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (5,619)</u>
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Township of Moltke
Notes to the Financial Statements
March 31, 2005

III: Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

Township of Moltke
Notes to the Financial Statements
March 31, 2005

III: Stewardship, compliance and accountability (continued)

B. Excess of expenditures over appropriations

During the year ended March 31, 2005, expenditures did not exceed appropriations in any of the activities.

IV: Detailed notes on all funds

A. Deposits and investments

At year-end, the carrying amount of the Township's deposits were \$72,197 and the bank balance was \$70,335, of which \$70,335 was covered by federal depository insurance.

B. Receivables

The County of Presque Isle owes the Township delinquent taxes of \$2,101.

C. Capital assets

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 9,400	\$	\$	\$ 9,400
Capital assets being depreciated:				
Buildings & improvements	114,872			114,872
Equipment	31,479			31,479
Subtotal	146,351			146,351

Township of Moltke
Notes to the Financial Statements
March 31, 2005

IV. Detailed notes on all funds (continued)

C. Capital assets (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities (Continued):				
Subtotal	<u>146,351</u>			<u>146,351</u>
Less accumulated depreciation for:				
Buildings & improvements	(86,154)	(2,872)		(89,026)
Equipment	<u>(20,493)</u>	<u>(2,747)</u>		<u>(23,240)</u>
Subtotal	<u>(106,647)</u>	<u>(5,619)</u>		<u>(112,266)</u>
Net capital assets being depreciated	<u>39,704</u>	<u>(5,619)</u>		<u>34,085</u>
Governmental activities capital assets-net of depreciation	<u>\$ 49,104</u>	<u>\$ (5,619)</u>	<u>\$</u>	<u>\$ 43,485</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	<u>\$5,619</u>
Total depreciation expense - governmental activities	<u>\$5,619</u>

V. Liabilities

A. Note Payable

The Township on October 14, 2002 borrowed from Presque Isle County \$13,733.00 to purchase a fire truck. The terms of the loan are annual payments of \$1,961.90 beginning September 1, 2003. The interest rate is zero percent. The remaining loan balance is \$9,809.20.

**Township of Moltke
Notes to the Financial Statements
March 31, 2005**

VI. Other information

A: Risk management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B: Pension plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2005, was \$2,137.00.

C: Intergovernmental agreements

The Township has an agreement with the Colfax Township Fire Department to render fire protection to its residents.

D: Implementation of new accounting standard

As of and for the year ended March 31, 2005, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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Fax (231) 946-1377

Members of the Township Board
Township of Moltke
Rogers City, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

May 16, 2005